

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

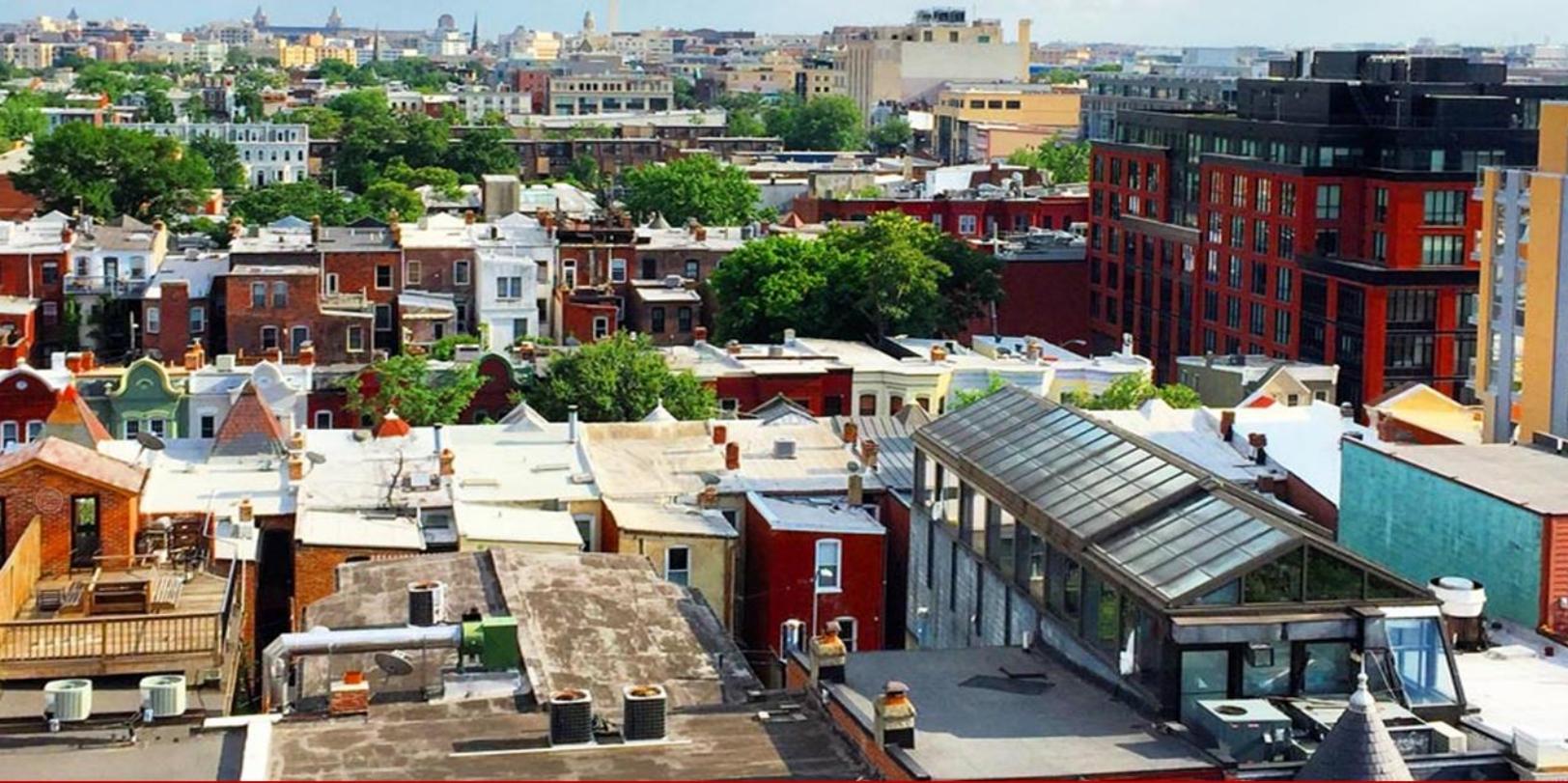
OIG Project No. 21-1-13AT

January 2021



## DISTRICT OF COLUMBIA 529 COLLEGE SAVINGS PROGRAM TRUST PARTICIPANT AND ADMINISTRATIVE FUNDS

**Financial Statements and Management's Discussion and Analysis  
For Fiscal Years Ended September 30, 2020 and 2019**



### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## **Mission**

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

## **Core Values**

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership



# GOVERNMENT OF THE DISTRICT OF COLUMBIA

Office of the Inspector General

Inspector General



January 29, 2021

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled *District of Columbia 529 College Savings Program Trust Participant and Administrative Funds Financial Statements Management's Discussion and Analysis for the Fiscal Years Ended September 30, 2020 and 2019* (OIG No. 21-1-13AT). BCA Watson Rice, LLP (BCAWR) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2020.

On December 23, 2020, BCAWR issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. BCAWR identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

  
Daniel W. Lucas  
Inspector General

DWL/ws

Enclosure

cc: See Distribution List

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF FINANCE AND TREASURY**

**REPORT ON**

**THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT AND ADMINISTRATIVE FUNDS**

**FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT AND ADMINISTRATIVE FUNDS**

**FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Trustee of  
The District of Columbia 529 College Savings Program Trust

### **Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position of the Participant Fund and Administrative Fund of the District of Columbia 529 College Savings Program Trust (the "Trust") as of September 30, 2020 and 2019, and the related statement of changes in fiduciary net position of the Participant Fund and Administrative Fund for the years then ended and the related notes to the financial statements, which collectively comprise the Trust's financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust, as of September 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust's internal control over financial reporting and compliance.

Washington, D.C. *BCA Watson Rre LLP*  
December 23, 2020

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**PARTICIPANT FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

The following presents management's discussion and analysis of the financial performance of the Government of the District of Columbia's (the "District") College Savings Program (the "Program") for the Fiscal Years ended September 30, 2020 and 2019. This discussion and analysis should be read in conjunction with the financial statements and note disclosures.

**Basic Financial Statements**

The Program is accounted for as a private purpose trust fund of the District. The District has overall fiduciary responsibility to program participants to administer the operations of the Program. The Program's basic financial statements, which are reported on the accrual basis of accounting, are the: (a) Statement of Fiduciary Net Position and (b) Statement of Changes in Fiduciary Net Position. In addition to the basic financial statements are the notes to the financial statements which are an integral part of the financial statements.

- The Statement of Fiduciary Net Position presents the assets, liabilities, and net position of the Program.
- The Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Program's net position.
- The notes provide more detailed data and explanations for some of the information in the financial statements.

**2020 Financial Highlights**

- Investments increased by \$121,729,176 or 17.80%
- Participant contributions increased by \$14,683,316 or 16.48%
- Net investment income increased by \$35,218,161 or 136.59%
- Distributions to participants decreased by \$559,950 or 1.38%

**2019 Financial Highlights**

- Investments increased by \$70,581,211 or 11.51%
- Participant contributions decreased by \$2,623,356 or 2.86%
- Net investment income decreased by \$18,026,727 or 41.15%
- Distributions to participants decreased by \$7,828,937 or 16.15%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**Financial Analysis – Fiduciary Net Position**

**Table 1 - Condensed Statements of Fiduciary Net Position as of September 30, 2020, 2019 and 2018**

	2020	2019	2018	2020 - 2019		2019 - 2018	
				Variance (\$)	Variance (%)	Variance (\$)	Variance (%)
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 7,434,268	\$ 7,515,672	\$ 4,902,501	\$ (81,404)	-1.08%	\$ 2,613,171	53.30%
Investments	805,684,569	683,955,393	613,374,182	121,729,176	17.80%	70,581,211	11.51%
Receivables	1,744,406	1,046,535	1,842,877	697,871	66.68%	(796,342)	-43.21%
<b>Total Assets</b>	<b>814,863,243</b>	<b>692,517,600</b>	<b>620,119,560</b>	<b>122,345,643</b>	<b>17.67%</b>	<b>72,398,040</b>	<b>11.67%</b>
<b>LIABILITIES</b>							
<b>Total Liabilities</b>	<b>549,854</b>	<b>583,804</b>	<b>416,655</b>	<b>(33,950)</b>	<b>-5.82%</b>	<b>167,149</b>	<b>40.12%</b>
<b>Net Position Held in Trust for Program Participants</b>	<b>\$814,313,389</b>	<b>\$691,933,796</b>	<b>\$619,702,905</b>	<b>\$ 122,379,593</b>	<b>17.69%</b>	<b>\$ 72,230,891</b>	<b>11.66%</b>

**Fiscal Year 2020**

The Program's primary asset was investments, which totaled \$805,684,569. Investments increased by 17.80% over Fiscal Year 2019 because of asset growth and the excess of contributions over distributions to participants. Market conditions were favorable in Fiscal Year 2020, and as a result, fifteen (15) of the sixteen (16) Program funds had positive rates of return. The Program's funds invest in one or more underlying investments. The underlying investments are primarily held in mutual funds and a principal protected portfolio.

As shown in **Table 2a - Investment by Fund with Rates of Returns as of September 30, 2020**, the top four Program investments were held in the U.S. Total Stock Market Index Portfolio (\$164,865,404 or 20.5%); DC College Savings Income College Portfolio (\$83,334,529 or 10.3%); DC College Savings 2028 Portfolio (\$79,283,134 or 9.8%); and DC College Savings 2022 Portfolio (\$78,067,965 or 9.7%).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**Table 2a - Investment by Fund with Rates of Returns as of September 30, 2020**

	<u>Investment Value</u>	<u>Percent of Total Assets</u>	<u>Rate of Return %</u>
DC College Savings 2037 Portfolio	\$ 8,918,937	1.1	7.39
DC College Savings 2034 Portfolio	64,999,790	8.1	7.64
DC College Savings 2031 Portfolio	73,060,448	9.1	7.54
DC College Savings 2028 Portfolio	79,283,134	9.8	6.94
DC College Savings 2025 Portfolio	76,071,305	9.4	5.47
DC College Savings 2022 Portfolio	78,067,965	9.7	4.10
DC College Savings Income College Portfolio	83,334,529	10.3	3.63
U.S. Large Cap Equity Portfolio	51,955,230	6.5	22.73
U.S. Socially Responsible Equity Portfolio	10,482,535	1.3	13.64
U.S. Total Stock Market Index Portfolio	164,865,404	20.5	14.30
U.S. Small Cap Equity Portfolio	12,399,143	1.5	(5.81)
Non-U.S. Socially Responsible Equity Portfolio	6,864,403	0.9	4.62
Non-U.S. Total Stock Market Index Portfolio	7,808,517	1.0	3.23
Intermediate-Term Bond Portfolio	15,453,427	1.9	8.65
U.S. Intermediate-Term Bond Index Portfolio	8,335,976	1.0	6.19
Principal Protected Portfolio	63,783,826	7.9	2.18
<b>TOTAL</b>	<b>\$ 805,684,569</b>	<b>100.0</b>	

Receivables increased by \$697,871 or 66.68% over the prior Fiscal Year primarily because of an increase in accounts receivable for investments sold and related interest and dividend receivables at the end of the year.

Total liabilities decreased by \$33,950 or 5.82% over the prior Fiscal Year primarily because of a decrease in accounts payable for investments purchased at the end of the year.

**Fiscal Year 2019**

The Program's primary asset was investments, which totaled \$683,955,393. Investments increased by 11.51% over Fiscal Year 2018 because of asset growth and the excess of contributions over distributions to participants. Market conditions were favorable in fiscal 2019, and as a result, thirteen (13) of the sixteen (16) Program funds had positive rates of return. The Program's funds invest in one or more underlying investments. The underlying investments are primarily held in mutual funds and a principal protected portfolio.

As shown in **Table 2b - Investment by Fund with Rates of Returns as of September 30, 2019**, the top four Program investments were held in the U.S. Total Stock Market Index Portfolio (\$141,238,085 or 20.7%); DC College Savings Income College Portfolio (\$90,649,703 or 13.2%); DC College Savings 2022 Portfolio (\$68,674,904 or 10.0%); and DC College Savings 2028 Portfolio (\$66,960,827 or 9.8%).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**Table 2b - Investment by Fund with Rates of Returns as of September 30, 2019**

	<b>Investment Value</b>	<b>Percent of Total Assets</b>	<b>Rate of Return %</b>
DC College Savings 2037 Portfolio*	\$ 135,509	0.0	0.20
DC College Savings 2034 Portfolio	44,609,576	6.5	4.46
DC College Savings 2031 Portfolio	59,078,381	8.6	5.20
DC College Savings 2028 Portfolio	66,960,827	9.8	5.80
DC College Savings 2025 Portfolio	66,767,522	9.8	5.40
DC College Savings 2022 Portfolio	68,674,904	10.0	4.27
DC College Savings Income College Portfolio	90,649,703	13.2	3.27
U.S. Large Cap Equity Portfolio	42,763,740	6.3	1.26
U.S. Socially Responsible Equity Portfolio	7,276,756	1.1	1.08
U.S. Total Stock Market Index Portfolio	141,238,085	20.7	2.44
U.S. Small Cap Equity Portfolio	13,041,396	1.9	(13.20)
Non-U.S. Socially Responsible Equity Portfolio	6,263,059	0.9	(2.60)
Non-U.S. Total Stock Market Index Portfolio	5,870,669	0.9	(1.59)
Intermediate-Term Bond Portfolio	13,546,745	2.0	8.50
U.S. Intermediate-Term Bond Index Portfolio	3,909,005	0.6	9.79
Principal Protected Portfolio	53,169,516	7.7	2.22
<b>TOTAL</b>	<b>\$ 683,955,393</b>	<b>100.0</b>	

\* Inception date of the DC College Savings 2037 Portfolio was September 6, 2019.

Receivables decreased by \$796,342 or 43.21% over the prior Fiscal Year primarily because of a decrease in interest and dividend receivables at the end of the year.

Total liabilities increased by \$167,149 or 40.12% over the prior Fiscal Year primarily because of an increase in accounts payable for investments purchased at the end of the year.

**Financial Analysis – Changes in Fiduciary Net Position**

**Table 3 - Condensed Statements of Changes in Fiduciary Net Position as of September 30, 2020, 2019 and 2018**

	2020	2019	2018	2020-2019		2019-2018	
				Variance(\$)	Variance (%)	Variance (\$)	Variance (%)
<b>ADDITIONS</b>							
<b>Contributions</b>	\$ 103,803,955	\$ 89,120,639	\$ 91,743,995	\$ 14,683,316	16.48%	\$ (2,623,356)	- 2.86%
<b>Net Investment Income</b>	61,001,576	25,783,415	43,810,142	35,218,161	136.59%	(18,026,727)	-41.15%
<b>Total Additions</b>	164,805,531	114,904,054	135,554,137	49,901,477	43.43%	(20,650,083)	-15.23%
<b>DEDUCTIONS</b>							
<b>Distributions to Participants</b>	40,074,022	40,633,972	48,462,909	(559,950)	- 1.38%	(7,828,937)	-16.15%
<b>Other Expenses</b>	2,351,916	2,039,191	1,832,686	312,725	15.34%	206,505	11.27%
<b>Total Deductions</b>	42,425,938	42,673,163	50,295,595	(247,225)	- 0.58%	(7,622,432)	-15.16%
<b>Increase in Net Position</b>	\$ 122,379,593	\$ 72,230,891	\$ 85,258,542	\$ 50,148,702	69.43%	\$(13,027,651)	-15.28%

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**Fiscal Year 2020**

The Program's contributions increased by \$14,683,316 or 16.48% over the prior Fiscal Year. The year-over-year changes reflect the investment decision made by the participants and the actions of the program manager to process these transactions. The Program had an increase in participants from 28,504 in Fiscal Year 2019 to 31,445 in Fiscal Year 2020.

The Program had a net investment income of \$61,001,576 in Fiscal Year 2020, which is a 136.59% increase over Fiscal Year 2019. The increase in net investment income was primarily due to an increase in the net appreciation in the fair value of investments from \$15,315,841 in Fiscal Year 2019 to \$51,357,272 in Fiscal Year 2020. Conversely, interest and dividends decreased from \$10,961,147 in Fiscal Year 2019 to \$10,208,710 in Fiscal Year 2020. Overall, fifteen (15) of the sixteen (16) funds of the Program reflected positive rates of return, which contributed to a net appreciation in the fair value of investments for the year. For Fiscal Year 2020, the Program's investments collectively had a weighted average rate of return of 8.02%, an increase of 471 basis points from the weighted average rate of return of 3.31% in Fiscal Year 2019.

Distributions to participants in 2020 were \$40,074,022 or 1.38% decrease over Fiscal Year 2019. This decrease is due to individual participant behavior and the timing of distributions to participants as funds are utilized to pay for college expenses or other purposes.

Other expenses include program management fees, and administrative and maintenance expenses. The overall increase in other expenses is primarily due to an increase in program management fees from \$1,542,440 in Fiscal Year 2019 to \$1,785,664 in Fiscal Year 2020. For Fiscal Year 2020, program management and administrative fees were on average 0.25% and 0.05%, respectively, of the funds average daily net asset value. Underlying investment management fees ranged from 0.00% to 0.44% for each investment option.

**Fiscal Year 2019**

The Program's contributions decreased by \$2,623,356 or 2.86% over the prior Fiscal Year. The year-over-year changes reflect the investment decision made by the participants and the actions of the program manager to process these transactions. The Program had an increase in participants from 25,871 in Fiscal Year 2018 to 28,504 in Fiscal Year 2019.

The Program had a net investment income of \$25,783,415 in Fiscal Year 2019, which is a 41.15% decrease over Fiscal Year 2018. The decrease in net investment income was primarily due to a decrease in the net appreciation in the fair value of investments from \$39,646,233 in Fiscal Year 2018 to \$15,315,841 in Fiscal Year 2019. Conversely, interest and dividends increased from \$4,674,984 in Fiscal Year 2018 to \$10,961,147 in Fiscal Year 2019. Overall, thirteen (13) of the sixteen (16) funds of the Program reflected positive rates of return, which contributed to a net appreciation in the fair value of investments for the year. For Fiscal Year 2019, the Program's investments collectively had a weighted average rate of return of 3.31%, a decrease of 301 basis points from the weighted average rate of return of 6.32% in Fiscal Year 2018.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Distributions to participants in 2019 were \$40,633,972 or 16.15% decrease over Fiscal Year 2018. This decrease is due to individual participant behavior and the timing of distributions to participants as funds are utilized to pay for college expenses or other purposes.

Other expenses include program management fees, and administrative and maintenance expenses. The overall increase in other expenses is primarily due to an increase in program management fees from \$1,383,310 in Fiscal Year 2018 to \$1,542,440 in Fiscal Year 2019. For Fiscal Year 2019, program management and administrative fees were on average 0.25% and 0.05%, respectively, of the funds average daily net asset value. Underlying investment management fees ranged from 0.00% to 0.44% for each investment option.

**Contact Information**

This financial report is designed to provide a general overview of the Program's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer (Office of Finance and Treasury); Government of the District of Columbia; 1101 4th Street SW, 8th Floor, Washington, DC 20024.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND**

**STATEMENTS OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,434,268	\$ 7,515,672
Receivables:		
Due from D.C. Government Administrative Fund	161,355	-
Interest and Dividends	567,851	259,718
Accounts Receivable for Investments Sold	<u>1,015,200</u>	<u>786,817</u>
Total Receivables	<u>1,744,406</u>	<u>1,046,535</u>
Investments:		
Equity Mutual Funds	398,704,812	332,767,986
Fixed Income Mutual Funds	210,140,358	182,320,116
Guaranteed Investment Contracts	<u>196,839,399</u>	<u>168,867,291</u>
Total Investments	<u>805,684,569</u>	<u>683,955,393</u>
<b>Total Assets</b>	<u>814,863,243</u>	<u>692,517,600</u>
<b>LIABILITIES</b>		
Accounts Payable for Investments Purchased	357,931	416,686
Program Management Fees Payable	158,624	135,215
Due to D.C. Government Administrative Fund	<u>33,299</u>	<u>31,903</u>
<b>Total Liabilities</b>	<u>549,854</u>	<u>583,804</u>
<b>Net Position Held in Trust for Program Participants</b>	<u>\$ 814,313,389</u>	<u>\$ 691,933,796</u>

The accompanying notes are an integral part of the financial statements

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
PARTICIPANT FUND**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ADDITIONS</b>		
Contributions	\$ 103,803,955	\$ 89,120,639
Investment Income:		
Net Appreciation in Fair Value of Investments	51,357,272	15,315,841
Interest and Dividends	10,208,710	10,961,147
Less: Investment Expenses	<u>(564,406)</u>	<u>(493,573)</u>
Net Investment Income	<u>61,001,576</u>	<u>25,783,415</u>
<b>Total Additions</b>	<u>164,805,531</u>	<u>114,904,054</u>
<b>DEDUCTIONS</b>		
Distributions to Participants	40,074,022	40,633,972
Program Management Fees	1,785,664	1,542,440
Administrative Expenses	374,729	324,053
Maintenance Expenses	<u>191,523</u>	<u>172,698</u>
<b>Total Deductions</b>	<u>42,425,938</u>	<u>42,673,163</u>
Increase in Net Position	122,379,593	72,230,891
<b>Net Position Held in Trust for Program Participants</b>		
Beginning of Year	<u>691,933,796</u>	<u>619,702,905</u>
<b>End of Year</b>	<u>\$ 814,313,389</u>	<u>\$ 691,933,796</u>

The accompanying notes are an integral part of the financial statements

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
ADMINISTRATIVE FUND**

**STATEMENTS OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Investment		
Fixed Income	\$ 844,337	\$ 559,579
Receivables:		
Due from Program Manager	5,634	1,146
Due from Participant Fund	33,299	31,903
Total Receivables	38,933	33,049
<b>Total Assets</b>	<b>883,270</b>	<b>592,628</b>
 <b>LIABILITIES</b>		
Accrued Expenses	26,234	-
Due to Participant Fund	161,335	-
<b>Total Liabilities</b>	<b>187,569</b>	<b>-</b>
<b>Net Position Held in Trust for Administrative Expenses</b>	<b>\$ 695,701</b>	<b>\$ 592,628</b>

The accompanying notes are an integral part of the financial statements

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
ADMINISTRATIVE FUND**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ADDITIONS</b>		
Administrative Fees	\$ 374,729	\$ 324,053
Maintenance Fees	17,651	16,335
Net Investment Income	6,357	15,087
<b>Total Additions</b>	398,737	355,475
 <b>DEDUCTIONS</b>		
Administrative Services	259,164	451,447
Donations (Scholarships)	36,500	16,500
<b>Total Deductions</b>	295,664	467,947
Increase/(Decrease) in Net Position	103,073	(112,472)
<b>Net Position Held in Trust for Administrative Expenses</b>		
Beginning of Year	592,628	705,100
<b>End of Year</b>	\$ 695,701	\$ 592,628

The accompanying notes are an integral part of the financial statements

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND PURPOSE**

The District of Columbia (DC) College Savings Program (the Program) was created by D.C. Law 47- 4501 et seq., as amended and pursuant to D.C. Regulations, 49 DCR 9859, November 1, 2002 made final at D.C. Mun. Regs, title 9 sec. 155 (2004), as a Trust of the District of Columbia Government (the District). The Program enables participants to save for qualified higher education expenses. On December 22, 2017, federal tax bill H.R.1 was signed into law and expanded the definition of “qualified higher education expenses” to include qualified K-12 tuition expenses at a private, public or parochial school up to specified expense limitations per student. The Chief Financial Officer of the District of Columbia or his/her designee is the Trustee of the Plan. The current designee is the D.C. Treasurer. The Trustee is responsible for entering into contracts for program management services, adopting program administration rules and regulations, and establishing investment policies. The Program is managed by Ascensus College Savings Recordkeeping Services, LLC (ACSR) and its affiliates (collectively, Ascensus College Savings) and they have the overall responsibility for the day-to-day operation of the Program including recordkeeping, investment management, administrative services, and marketing. The management agreement between Ascensus College Savings and the D.C. Treasurer expires November 15, 2021 with the option to extend for two one-year periods, unless earlier termination.

The Program is available to both District of Columbia and non-District of Columbia residents. It is a qualified tuition program that allows participants to make contributions into sixteen (16) different investment options. The account balance limit is \$500,000 per beneficiary. Accounts are subject to market investment risk, except for those that are invested in the Principal Protected Portfolio, which focuses on protecting the invested principal. As of September 30, 2020, and 2019, the Plan had 31,455 and 28,504 participants with a net asset value of \$814,313,389 and \$691,933,796, respectively. Fees and expenses of the program are paid by each account owner and vary according to the Portfolio, in which they are invested.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The accompanying financial statements report the fiduciary net position and the changes in fiduciary net position as of and for the Fiscal Years ended September 30, 2020 and 2019. For financial reporting purposes, the Program includes all funds over which the Program exercises or can exercise oversight authority.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Program reports the activity of the District of Columbia College Savings Program as a private-purpose trust fund, which is a type of fiduciary fund. Private-purpose trust funds account for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or governments. The financial statements of the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**Investment Valuation and Income Recognition**

Portfolio investments in the underlying funds are valued at the closing net asset value per share (unit) of each underlying fund on the day of valuation. The stability of principal portfolio is valued in accordance with the terms of the funding agreement, inclusive of accrued interest.

Security transactions, normally in shares of the underlying funds, are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Income and capital gains distributions, if any, from investments in the underlying funds are recorded on the ex-dividend date. Expenses included in the accompanying financial statements reflect the expenses of each portfolio and do not include any expenses associated with the underlying funds.

Units represent the beneficial interest of each participant in the net assets of a Portfolio. Contributions to and distributions from the portfolios are subject to terms and limitations defined in the Participation Agreement between the participant and the Trust. Contributions and distributions are recorded upon receipt of the participant's instructions in good order, based on the next determined net asset value per unit. Net investment income and realized and unrealized gains and losses accumulate in the net asset value of each Portfolio and are not separately distributed to participants.

**Fair Value Measurements**

Governmental Accounting Standards Board Statement number 72 (GASB 72), *Fair Value Measurement and Application*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 - that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

Level 3 – unobservable inputs (including the District's own assumptions in determining the fair value of investments).

**Cash and Cash Equivalents**

The balance includes cash on deposit and short-term highly liquid investments that are (a) readily convertible to known amounts of cash and (b) so near their maturities that they present insignificant risk of changes in value because of changes in interest rates.

**Receivables and Payables for Investments Purchased and Sold**

The receivables and payables represent transactions related to the purchase and sale of investments that have not settled at the end of the Fiscal Year.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates.

**Income Tax Status**

The Program is exempt from federal taxes in accordance with Section 529 of the Internal Revenue Code. D.C. resident participants are exempt from state and local taxes when earnings from the Program are used for qualified expenses. Non-D.C. residents may be subject to state and local taxes in their jurisdiction.

**NOTE 3 INVESTMENTS**

**Investment Policy and Guidelines**

The Program offers account owners several Investment Portfolios that provide a range of risk and return characteristics, each unique to aid in proper diversification. Three different types of Investment Portfolios are offered to account owners: 1) Year of College Enrollment Portfolios, 2) Individual Portfolios, and 3) Principal Protected Portfolio. Once an account owner's Investment Portfolio(s) is selected for a particular contribution, IRS guidance dictates the rules through which an account owner can move money or transfer from one Investment Portfolio to another.

*Year of College Enrollment Portfolio:* The Portfolios offer account owners pre-diversified Investment Portfolios that become more conservative as the beneficiary nears his/her intended year of high school graduation. The Year of College Enrollment Portfolios represent a weighted allocation among a predetermined number and type of investment strategies, as follows:

<u>Underlying Investments</u>	<u>Year of College Enrollment Portfolios**</u>						
	<u>DC College Savings Portfolios</u>						
	<u>Income</u>	<u>2022</u>	<u>2025</u>	<u>2028</u>	<u>2031</u>	<u>2034</u>	<u>2037</u>
iShares Core S&P Total U.S. Stock Market ETF	5.20%	13.00%	22.75%	32.50%	42.25%	52.00%	52.00%
iShares Core MSCI Total International Stock ETF	2.00%	5.00%	8.75%	12.50%	16.25%	20.00%	20.00%
Schwab US REIT ETF	0.80%	2.00%	3.50%	5.00%	6.50%	8.00%	8.00%
Vanguard Intermediate-Term Bond Index Fund	6.00%	16.50%	19.50%	15.00%	10.50%	6.00%	6.00%
Vanguard Short-Term Corporate Bond Index Fund	5.00%	13.75%	16.25%	12.50%	8.75%	5.00%	5.00%
Vanguard Short-Term Inflation Protected Securities Index Fund	7.00%	19.25%	22.75%	17.50%	12.25%	7.00%	7.00%
iShares Core International Aggregate Bond ETF	2.00%	5.50%	6.50%	5.00%	3.50%	2.00%	2.00%
Principal Protected Portfolio	72.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*\* The 2019 Year of College Enrollment Portfolio is rolled into the Income Portfolio.

The Program Manager monitors and rebalances the underlying asset allocation of the Year of College Enrollment Portfolios on a quarterly basis. The Program Manager has discretion to rebalance the Year of College Enrollment Portfolios when the Investment Portfolios fall outside the strategic targets by more than one percentage point.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

*Individual Portfolios:* The Individual Portfolios are stand-alone options, which allow account owners to allocate their account into one or more Investment Portfolios. The goal in offering the Individual Portfolios is to provide account owners with the ability to construct diversified portfolios by asset class and investment style that match their risk tolerance, asset class preferences, time horizons and expected returns. Each portfolio invests (100%) in a single underlying mutual fund or exchange-traded fund (ETF), as follows:

<u>Individual Portfolios</u>	<u>Underlying Investments</u>	<u>Asset Class</u>
U.S. Intermediate-Term Bond Index Portfolio	iShares Core U.S. Aggregate Bond ETF	Fixed Income
Intermediate-Term Bond Portfolio	Loomis Sayles Core Plus Bond Fund	Fixed Income
U.S. Total Stock Market Index Portfolio	iShares Core S&P Total U.S. Stock Market ETF	Domestic Equity
U.S. Socially Responsible Equity Portfolio	DFA U.S. Sustainability Core 1 Portfolio	Domestic Equity
U.S. Large-Cap Equity Portfolio	JP Morgan U.S. Equity Fund	Domestic Equity
Non-U.S. Socially Responsible Equity Portfolio	DFA International Sustainability Core 1 Portfolio	International Equity
Non-U.S. Total Stock Market Index Portfolio	iShares Core MSCI Total International Stock ETF	International Equity
U.S. Small-Cap Equity Portfolio	Vanguard Strategic Small-Cap Equity Fund	Domestic Equity

The Trustee reserves the right to add or replace Individual Portfolios based upon market conditions, Program Manager and Investment Consultant input, account owner response, or other factors.

*Principal Protected Portfolio:* The Principal Protected Portfolio focuses on protecting the principal account owners' investment by allocating account owner contributions and earnings to a funding agreement issued by an insurance company that provides a guaranteed return of principal plus a minimum annualized rate of interest to the Trust. As of September 30, 2020, and 2019, this portfolio was maintained in a stable value fund.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

**Unrealized Appreciated / (Depreciated) Value of the Program's Investments**

At September 30, 2020, the Program held the following investments, which are stated at fair value based on fair market prices:

	<u>Aggregate Cost</u>	<u>Aggregate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>Domestic Equity Mutual Funds and ETFs</b>			
iShares Core S&P Total U.S. Stock Market ETF	\$ 191,248,484	\$ 259,406,815	\$ 68,158,331
Schwab U.S. REIT ETF	14,656,947	13,606,167	(1,050,780)
DFA U.S. Sustainability Core 1 Portfolio	8,918,488	10,482,535	1,564,047
JP Morgan U.S. Equity	45,136,732	51,955,230	6,818,498
Vanguard Strategic Small Cap Equity	14,482,308	12,399,143	(2,083,165)
<b>International Equity Mutual Funds and ETFs</b>			
DFA International Sustainability Core 1	6,583,067	6,864,403	281,336
iShares Core MSCI Total International Stock ETF	42,184,258	43,990,519	1,806,261
<b>Fixed Income Mutual Funds and ETFs</b>			
Vanguard Intermediate -Term Bond Index Fund	51,013,775	56,403,906	5,390,131
Vanguard Short-Term Corporate Bond Fund	45,111,675	46,720,270	1,608,595
Vanguard Short-Term Inflation Protected Securities	63,875,939	65,759,780	1,883,841
Loomis Sayles Core Plus Bond Fund	14,196,258	15,453,427	1,257,169
iShares Core U.S. Aggregate Bond ETF	16,448,141	17,466,999	1,018,858
iShares Core International Aggregate Bond	7,907,112	8,335,976	428,864
<b>Guaranteed Investment Contracts</b>			
Ameritas Stable Value Fund	196,839,399	196,839,399	-
Total Investments	<u>\$ 718,602,583</u>	<u>\$ 805,684,569</u>	<u>\$ 87,081,986</u>

The net unrealized gain on investments as of September 30, 2020 was \$87,081,986. The net appreciation in the fair value of the investments as reflected in the Statement of Changes in Fiduciary Net Position consists of the following for the year ended September 30, 2020:

Unrealized gain as of September 30, 2020	\$ 87,081,985
Less: Unrealized gain as of September 30, 2019	<u>47,639,439</u>
Net change in unrealized gain during the year	39,442,546
Net realized gain during the year	<u>11,914,726</u>
Net Appreciation in Fair Value of Investments	<u>\$ 51,357,272</u>

The net appreciation or depreciation in the fair value of investments consists of net realized and net unrealized gains or losses during the period.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

At September 30, 2019, the Program held the following investments which are stated at fair value based on fair market prices:

	<u>Aggregate Cost</u>	<u>Aggregate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>Domestic Equity Mutual Funds and ETFs</b>			
iShares Core S&P Total U.S. Stock Market ETF	\$ 177,271,699	\$ 216,529,056	\$ 39,257,357
Schwab U.S. REIT ETF	10,187,528	11,901,180	1,713,652
DFA U.S. Sustainability Core 1 Portfolio	6,626,677	7,276,756	650,079
JP Morgan U.S. Equity	41,145,457	42,763,740	1,618,283
Vanguard Strategic Small Cap Equity	14,090,181	13,041,396	(1,048,785)
<b>International Equity Mutual Funds and ETFs</b>			
DFA International Sustainability Core 1	6,159,922	6,263,059	103,137
iShares Core MSCI Total International Stock ETF	34,487,244	34,992,799	505,555
<b>Fixed Income Mutual Funds and ETFs</b>			
Vanguard Intermediate -Term Bond Index Fund	47,134,527	49,721,085	2,586,558
Vanguard Short-Term Corporate Bond Fund	40,541,082	41,242,431	701,349
Vanguard Short-Term Inflation Protected Securities	57,973,213	57,799,075	(174,138)
Loomis Sayles Core Plus Bond Fund	13,096,366	13,546,745	450,379
iShares Core U.S. Aggregate Bond ETF	14,987,383	16,101,775	1,114,392
iShares Core International Aggregate Bond	3,747,384	3,909,005	161,621
<b>Guaranteed Investment Contracts</b>			
Ameritas Stable Value Fund	168,867,291	168,867,291	-
Total Investments	<u>\$ 636,315,954</u>	<u>\$ 683,955,393</u>	<u>\$ 47,639,439</u>

The net unrealized gain on investments as of September 30, 2019 was \$47,639,439. The net appreciation in the fair value of the investments as reflected in the Statement of Changes in Fiduciary Net Position consists of the following for the year ended September 30, 2019:

Unrealized gain as of September 30, 2019	\$ 47,639,439
Less: Unrealized gain as of September 30, 2018	<u>45,285,424</u>
Net change in unrealized gain during the year	2,354,015
Net realized gain during the year	<u>12,961,826</u>
Net Appreciation in Fair Value of Investments	<u>\$ 15,315,841</u>

The net appreciation or depreciation in the fair value of investments consists of net realized and net unrealized gains or losses during the period.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
529 COLLEGE SAVINGS PROGRAM TRUST  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

**Investment Risks**

The Program's investments are subject to the following risks common to investments:

*Custodial Credit Risk* is the risk that the Program will not be able to recover the value of its investments in the event of a failure by the counterparty to a transaction. Investments are exposed if they are uninsured, are not registered in the name of the Program, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent, but not in the Program's name. The Program's investments for Fiscal Year 2020 and 2019 are uninsured and unregistered but are held by the counterparty in the Program's name and are generally segregated by the counterparty in a manner to protect them from certain claims by creditors. The Plan also invests in mutual funds and exchange traded funds (ETF), which are not generally exposed to custodial credit risks.

*Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. The Program does not invest in debt securities that have an overall quality, which is less than the BBB as rated by Moody's or S&P Global. The primary credit ratings of the Program's debt securities are as follows:

<b>Fund</b>	<b>Credit Rating</b>	
	<b>2020</b>	<b>2019</b>
iShare Core International Aggregate Bond ETF	A, AA, AAA, BBB	AA, A, AAA, BBB
iShare Core U.S. Aggregate Bond ETF	A, AA, AAA, BBB	AAA, BBB, A, AA
Loomis Sayles Core Plus Bond Fund	AAA, BBB, A, AA	AAA, BBB, A, AA
Principal Protected Plus	BBB, A, AAA, AA	BBB, A, AAA, AA
Vanguard Intermediate -Term Bond Index I	AAA, BBB, A, AA	AAA, BBB, A, AA
Vanguard Short -Term Corp Bd Index I	A, BBB, AA, AAA	BBB, A, AA,AAA
Vanguard Short -Term Inflation-Protection Sec Index Ins	AAA	AAA

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program does not invest in any investment account that has an average maturity exceeding ten years for its Bond Mutual Funds. The interest rate sensitivity, defined as duration, for each fund is as follows:

<b>Fund</b>	<b>Average Duration</b>	
	<b>2020</b>	<b>2019</b>
iShare Core International Aggregate Bond ETF	7.89	7.86
iShare Core U.S. Aggregate Bond ETF	5.91	5.29
Loomis Sayles Core Plus Bond Fund	6.59	6.04
Principal Protected Plus	7.06	6.80
Vanguard Intermediate -Term Bond Index I	6.52	6.32
Vanguard Short-Term Corp Bond Index I	2.79	2.63
Vanguard Short-Term Inflation-Protection Sec Index	2.80	2.58

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

*Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Program does not have a formal policy for limiting its exposure to changes in exchange rates.

The investment funds that invest primarily in foreign financial institutions are the DFA International Sustainability Core 1 Portfolio and iShare Core International Aggregate Bond ETF. The Fund has various currency denominations. The primary currency denominations are the Franc, the Yen, and the British Pound.

**Fair Value Measurements**

*Equity Mutual Funds:* Equity Mutual Funds consist of open-ended mutual funds that are registered with the Securities and Exchange Commission (SEC). These mutual funds publish a daily NAV and transact at that price. The mutual funds held in equities are deemed to be actively traded and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

*Fixed Income Mutual Funds:* Mutual funds are a pool of money invested by an investment company in a variety of instruments such as emerging markets sovereigns, government related agencies, and emerging markets corporations. This investment category consists of open-ended mutual funds that are registered with the Securities and Exchange Commission (SEC). The mutual funds are invested in high yield markets bonds that represent fixed income securities issued by corporations with credit ratings of AAA or lower. These fixed income mutual funds publish a daily NAV and transact at that price. The mutual funds held in bonds are deemed to be actively traded and support the classification as Level 1 in the fair value hierarchy.

*Guaranteed Investment Contracts:* The Guaranteed Investment Contract (GIC) is valued at the sum of the net cash contributions to the deposit account plus interest credited minus withdrawals (the Contract Value). The GIC is measured at fair value and is a contractual investment rather than a security and is not deemed to be subject to custodial credit risk. The determination of fair value includes certain unobservable inputs as well as the assessment of the projected long-term duration of the Insurance and Annuity Company through review of contract terms and substantiated utilizing available market data. However, there is a risk that an insurance company could fail to perform its obligations under a funding agreement for financial or other reasons. These contract value of the GIC is not leveled in the fair value hierarchy table below.

The Program categorizes fair value measurement within a hierarchy established by generally accepted accounting principles. The underlying funds had the following recurring fair value measurements at September 30, 2020:

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>INVESTMENTS MEASURED AT FAIR VALUE</b>				
<b>Domestic Equity Mutual Fund and ETFs</b>				
iShares Core S&P Total U.S. Stock Market ETF	\$ 259,406,815	\$ 259,406,815	\$ -	\$ -
Schwab U.S. REIT ETF	13,606,167	13,606,167	-	-
DFA U.S. Sustainability Core 1 Portfolio	10,482,535	10,482,535	-	-
JP Morgan U.S. Equity	51,955,230	51,955,230	-	-
Vanguard Strategic Small Cap Equity	12,399,143	12,399,143	-	-
<b>Total Domestic Equity Mutual Funds</b>	<b>347,849,890</b>	<b>347,849,890</b>	-	-
<b>International Equity Mutual Funds and ETFs</b>				
DFA International Sustainability Core 1 Portfolio	6,864,403	6,864,403	-	-
iShares Core MSCI Total International Stock ETF	43,990,519	43,990,519	-	-
<b>Total International Equity Mutual Funds</b>	<b>50,854,922</b>	<b>50,854,922</b>	-	-
<b>Fixed Income Mutual Funds and ETFs</b>				
Vanguard Intermediate-Term Bond Index Fund	56,403,906	56,403,906	-	-
Vanguard Short-Term Corporate Bond Fund	46,720,270	46,720,270	-	-
Vanguard Short-Term Inflation Protection Securities	65,759,780	65,759,780	-	-
Loomis Sayles Core Plus Bond ETF	15,453,427	15,453,427	-	-
iShares Core U.S. Aggregate Bond ETF	17,466,999	17,466,999	-	-
iShares Core International Aggregate Bond	8,335,976	8,335,976	-	-
<b>Total Fixed Income Mutual Funds</b>	<b>210,140,358</b>	<b>210,140,358</b>	-	-
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE</b>	<b>608,845,170</b>	<b>\$ 608,845,170</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INVESTMENT MEASURED AT CONTRACT VALUE</b>				
<b>Guaranteed Investment Contracts</b>				
Ameritas Stable Value Fund	196,839,399			
<b>TOTAL INVESTMENTS</b>	<b>\$ 805,684,569</b>			

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 INVESTMENTS (Continued)**

The Program categorizes fair value measurement within a hierarchy established by generally accepted accounting principles. The underlying funds had the following recurring fair value measurements at September 30, 2019.

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>INVESTMENTS MEASURED AT FAIR VALUE</b>				
<b>Domestic Equity Mutual Funds and ETFs</b>				
iShares Core S&P Total U.S. Stock Market ETF	\$ 245,651,186	\$ 245,651,186	\$ -	\$ -
Schwab U.S. REIT ETF	11,901,180	11,901,180	-	-
DFA U.S. Sustainability Core 1 Portfolio	7,276,756	7,276,756	-	-
JP Morgan U.S. Equity	42,763,740	42,763,740	-	-
Vanguard Strategic Small Cap Equity	13,041,396	13,041,396	-	-
			-	-
<b>Total Domestic Equity Mutual Funds</b>	<b>320,634,258</b>	<b>320,634,258</b>	<b>-</b>	<b>-</b>
<b>International Equity Mutual Funds and ETFs</b>				
DFA International Sustainability Core 1 Portfolio	6,263,059	6,263,059	-	-
iShares Core MSCI Total International Stock ETF	5,870,669	5,870,669	-	-
			-	-
<b>Total International Equity Mutual Funds</b>	<b>12,133,728</b>	<b>12,133,728</b>	<b>-</b>	<b>-</b>
<b>Fixed Income Mutual Funds and ETFs</b>				
Vanguard Intermediate-Term Bond Index Fund	49,721,085	49,721,085	-	-
Vanguard Short-Term Corporate Bond Fund	41,242,431	41,242,431	-	-
Vanguard Short-Term Inflation Protection Securities	57,799,075	57,799,075	-	-
Loomis Sayles Core Plus Bond ETF	13,546,745	13,546,745	-	-
iShares Core U.S. Aggregate Bond ETF	16,101,775	16,101,775	-	-
iShares Core International Aggregate Bond	3,909,005	3,909,005	-	-
			-	-
<b>Total Fixed Income Mutual Funds</b>	<b>182,320,116</b>	<b>182,320,116</b>	<b>-</b>	<b>-</b>
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE</b>	<b>515,088,102</b>	<b>\$ 515,088,102</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INVESTMENT MEASURED AT CONTRACT VALUE</b>				
<b>Guaranteed Investment Contracts</b>				
Ameritas Stable Value Fund	168,867,291			
<b>TOTAL INVESTMENTS</b>	<b>\$ 683,955,393</b>			

**NOTE 4 ADMINISTRATIVE AND MAINTENANCE FEES**

The Program assessed underlying investment, program management, state fees and an annual maintenance fee. Program management and state fees (administrative fees) which totaled 0.15% on the principal protected portfolio and 0.30% on all other funds were assessed. The annual maintenance fee is generally charged during the month of the first anniversary in which the account was opened and annually thereafter. Account owners who are residents of the District are charged an annual maintenance fee of \$10.00, and non-District residents are charged an annual maintenance fee of \$15.00. The annual maintenance fees are charged on a pro rata basis upon closure of an account. The Program Manager receives the \$10.00 annual maintenance fee charged to District residents. Of the \$15.00 annual maintenance fee charged to non-District residents, the Program Manager receives \$10.00 and the District receives \$5.00.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 4 ADMINISTRATIVE AND MAINTENANCE FEES (Continued)**

For Fiscal Year 2020, total program management and administrative fees assessed to account owners were \$1,785,664 and \$374,729, respectively. These fees are reflected in the Participant Fund Statement of Changes in Fiduciary Net Position. The District portion of the fees was \$374,729, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2020, the total amount earned during the Fiscal Year but not remitted to the District was \$33,299.

For the Fiscal Year 2020, maintenance and enrollment fees reflected in the Participant Fund Statement of Changes in Fiduciary Net Position totaled \$191,523. The District's portion was \$17,651, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2020, the total amount earned during the Fiscal Year but not remitted to the District was \$938.

The District incurred administrative expenses of \$295,664 in Fiscal Year 2020, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. The expenses incurred were for professional fees and scholarship donations. At year-end, the Administrative Fund position balance was \$695,701.

For Fiscal Year 2019, total program management and administrative fees assessed to account owners were \$1,542,440 and \$324,053, respectively. These fees are reflected in the Participant Fund Statement of Changes in Fiduciary Net Position. The District portion of the fees was \$324,053, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2019, the total amount earned during the Fiscal Year but not remitted to the District was \$31,903.

For the Fiscal Year 2019, maintenance and enrollment fees reflected in the Participant Fund Statement of Changes in Fiduciary Net Position totaled \$172,698. The District's portion was \$16,335, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. As of September 30, 2020, the total amount earned during the Fiscal Year but not remitted to the District was \$1,146.

The District incurred administrative expenses of \$467,947 in Fiscal Year 2019, which is reflected in the Administrative Fund Statement of Changes in Fiduciary Net Position. The expenses were for the professional services and donations for scholarship. At year-end, the Administrative Fund position balance was \$592,628.

On May 2, 2017, the Securities and Exchange Commission ("Commission") issued an order instituting and settling administrative and cease-and-desist proceedings ("Order") with Calvert Investment Distributors, Inc. ("Calvert Distributor") and Calvert Investment Management, Inc. ("Calvert") (together, "Respondents"). The Order required Respondents to repay excessive Rule 12b-1 fees. During Fiscal Year 2020 the Administrative Fund received \$161,355 of such repayments for the benefit of plan participants. The funds will be paid to the Trust pending a detailed allocation determination.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**529 COLLEGE SAVINGS PROGRAM TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 5 INVESTMENT EXPENSES**

Investment expenses represent the operating expenses and load fees paid to the broker dealers. Certain fees charged by the investment funds for operating expenses and load fees are reflected in the net appreciation in fair value of investments amount in the Statement of Changes in Fiduciary Net Position. Underlying investment fees, net of administrative and program management fees (see note 4), ranged from 0.00% to 0.44% (gross of 0.15% to 0.74%) of the fund's average daily net asset value. Underlying investment management fees, net of administrative and program management fees, totaled \$564,406 and \$493,573 for Fiscal Year 2020 and 2019, respectively. The fees are reflected in the Participant Fund Statement of Changes in Fiduciary Net Position.

**NOTE 6 RELATED PARTY TRANSACTIONS**

All the Program's individual portfolios invest in a single underlying mutual fund or ETF managed by a third-party investment manager. The year of enrollment portfolios have a set target allocation and are invested in multiple underlying mutual funds, ETFs as well as the Ameritas Funding Agreement.

Ascensus College Savings monitors and rebalances the underlying asset allocations of the Year of College Enrollment Portfolios on a quarterly basis. The principal protected portfolio invests in a funding agreement issued by Ameritas Life.

**NOTE 7 RISKS AND UNCERTAINTIES**

The Plan invests in investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible, that changes in the values of the investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Fiduciary Net Position.

**NOTE 8 SUBSEQUENT EVENTS**

As result of the incidence of COVID-19, economic uncertainties may negatively impact the financial position and results of operations of the Trust. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Trust has evaluated events subsequent to September 30, 2020 and through December 23, 2020, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.**

To the Trustee of  
The District of Columbia 529 College Savings Program Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia 529 College Savings Program Participant and Administrative Funds (the “Trust”), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements, and have issued our report thereon dated December 23, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Trust’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Washington, D.C. *BCA Watson Rze LLP*  
December 23, 2020